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Controller's Statement on Governor's Signing of Bill to Battle Local Government Bankruptcy

SACRAMENTO – State Controller John Chiang today applauded Governor Jerry Brown for signing AB 1248, a bill authored by Assemblyman Ken Cooley (D-Rancho Cordova), which requires the establishment of internal control standards aimed at preventing local government malfeasance and insolvency. Controller Chiang sponsored this legislation, which was informed by lessons learned during his recent audits of the cities of Bell, Stockton, Hercules, and Montebello.

"For many local governments currently battling insolvency, the seeds of their financial distress were sown long before the Great Recession," said Chiang. "Poor checks-and-balances can sap communities of their fiscal health to the point where a downturn in the economy can be catastrophic."

"Recent audits produced by my office demonstrate how weak internal controls can set-up local governments for failure, in such forms as bankruptcy, default, and corruption," Chiang said. "This bill calls for the State and local governments to work together to develop stronger fiscal management practices aimed at protecting communities against self-dealing, misuse of taxpayer monies and other abuses of public trust."

Under AB 1248, internal control standards include separation of powers between budgeting and check-writing, avoiding potential conflicts of interest in hiring or contracting, and other measures designed to protect the integrity of a local government's finances.

"AB 1248 is a bill that is designed to strengthen public confidence in that layer of government that most frequently touches their lives – local government. These guidelines will create a highly visible yard stick by which administrative practices may be measured, giving much needed guidance to citizens and public officials," said Assemblyman Ken Cooley.

This bill was backed by the California Taxpayers Association and received bipartisan support in both houses of the Legislature.

Check the for more information on his audit programs.

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